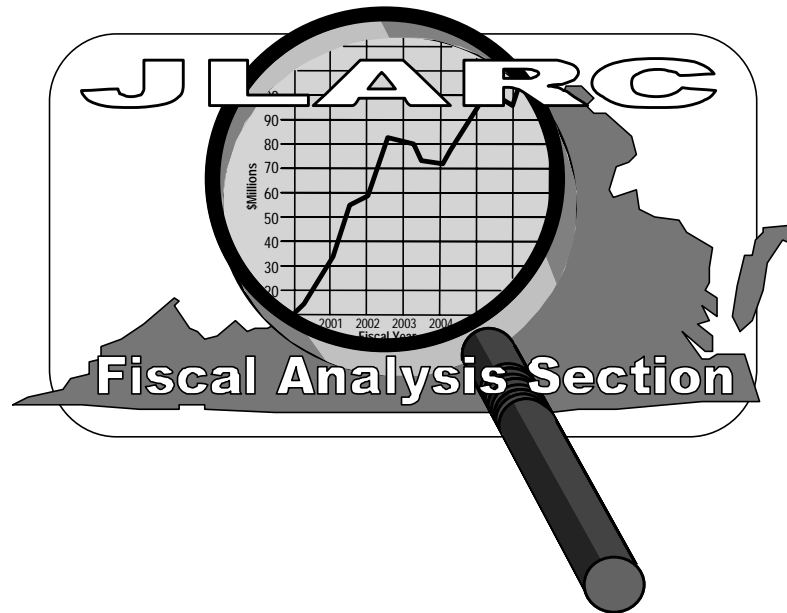


Joint Legislative Audit and Review Commission of the Virginia General Assembly



Review of Spending in State Government

**Staff Briefing
June 10, 2002**

Introduction

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Staff for this study:

Kirk Jonas, Deputy Director

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Kimberly Sarte

Janice Baab

Barb Newlin

Presentation Outline

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- ☒ **Background**
- ☐ **Spending Growth by Governmental Function**
- ☐ **Budget Growth by Agencies and Programs**
- ☐ **Virginia's Spending Rank Among the States**

Study Mandates

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- **HJR 773 and HB 2865 (both from 2001) direct JLARC to review State spending and identify:**
 - The largest and fastest growing programs,
 - The causes of expenditure growth,
 - Programs that may be indistinct or inefficient, and
 - Programs that could be consolidated.

- **Report issued in December 2001 focused on aspects of the legislation:**
 - State spending trends, and spending growth within agencies,
 - General fund revenue forecasting process, and
 - Development and use of performance measures.

Study Mandates

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- **HJR 159 (2002) requires JLARC to provide staff assistance to a joint subcommittee on operations and funding of agencies, boards, commissions.**

Explaining Budget Growth

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- **Long-term budget growth can be explained by a combination of methods:**
 - **Analyzing societal factors such as population growth, inflation, growth in personal income, etc.**
 - **Recapping Virginia-specific budget factors, such as initiatives and funding decisions**
 - **Identifying budget drivers – the agencies and programs that account for the bulk of spending growth**
 - **Examining how individual agency budgets have grown**

Societal Factors

1981 – 2001

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<u>Growth</u>	<u>US</u>	<u>Virginia</u>	<u>State Rank</u>
Population	24%	32%	12 th
Inflation (CPI-U)	102%	102%	--
Gross State Product*	71%	91%	14 th
Personal Income**	58%	80%	12 th

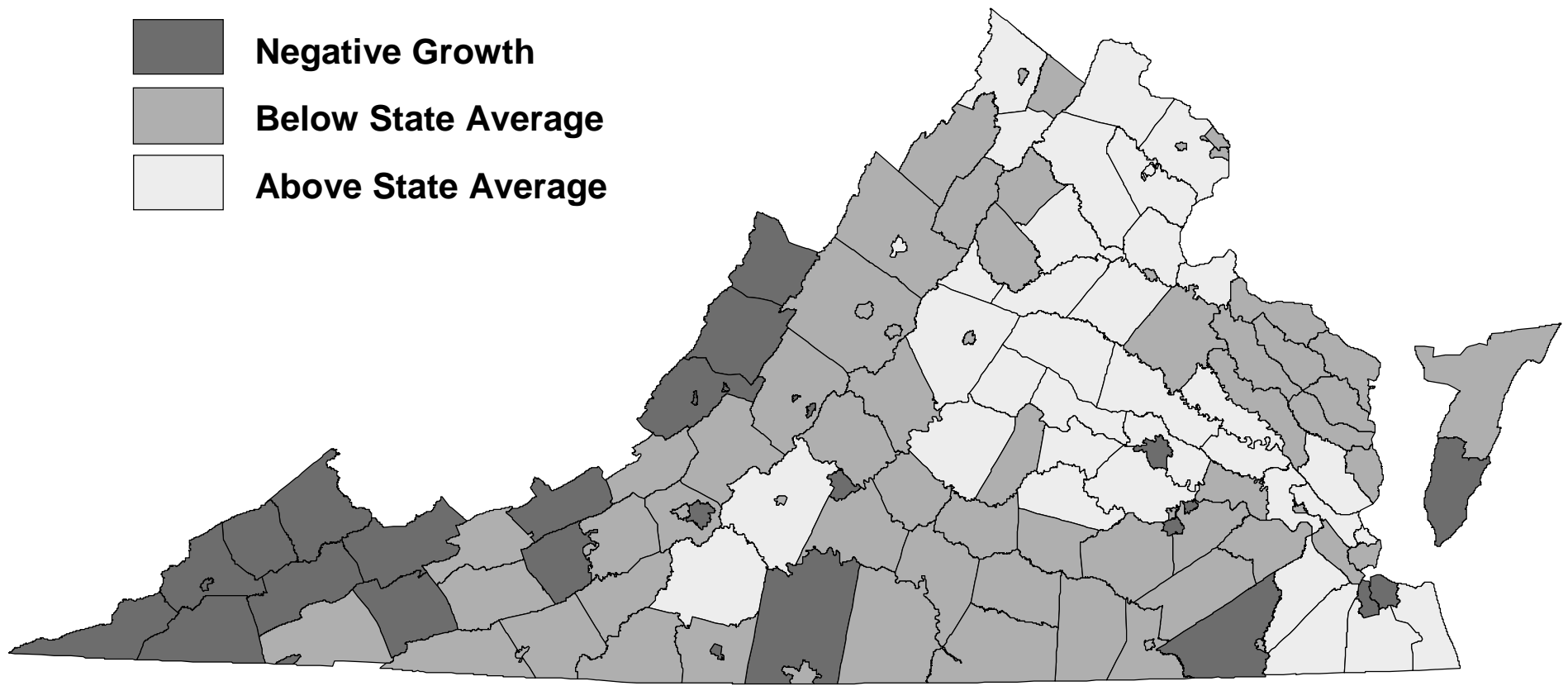
*Inflation adjusted 1999 dollars

**Inflation adjusted 2001 dollars

Population Growth in Virginia

1980-2000

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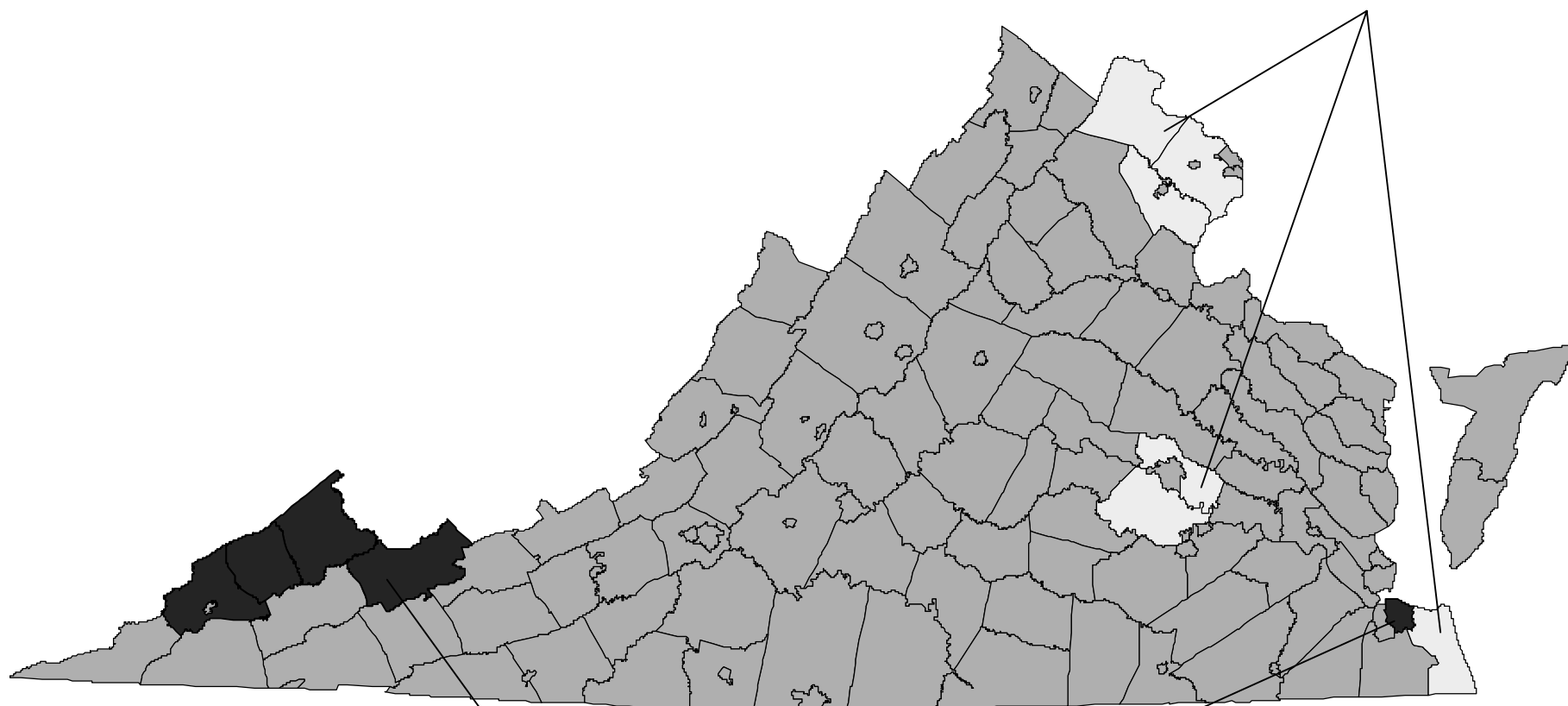


Personal Income Growth 1981-2000

(Per Capita, Inflation-Adjusted)

9

**56% of Personal Income Growth
Occurred in These Localities**



Declining Personal Income

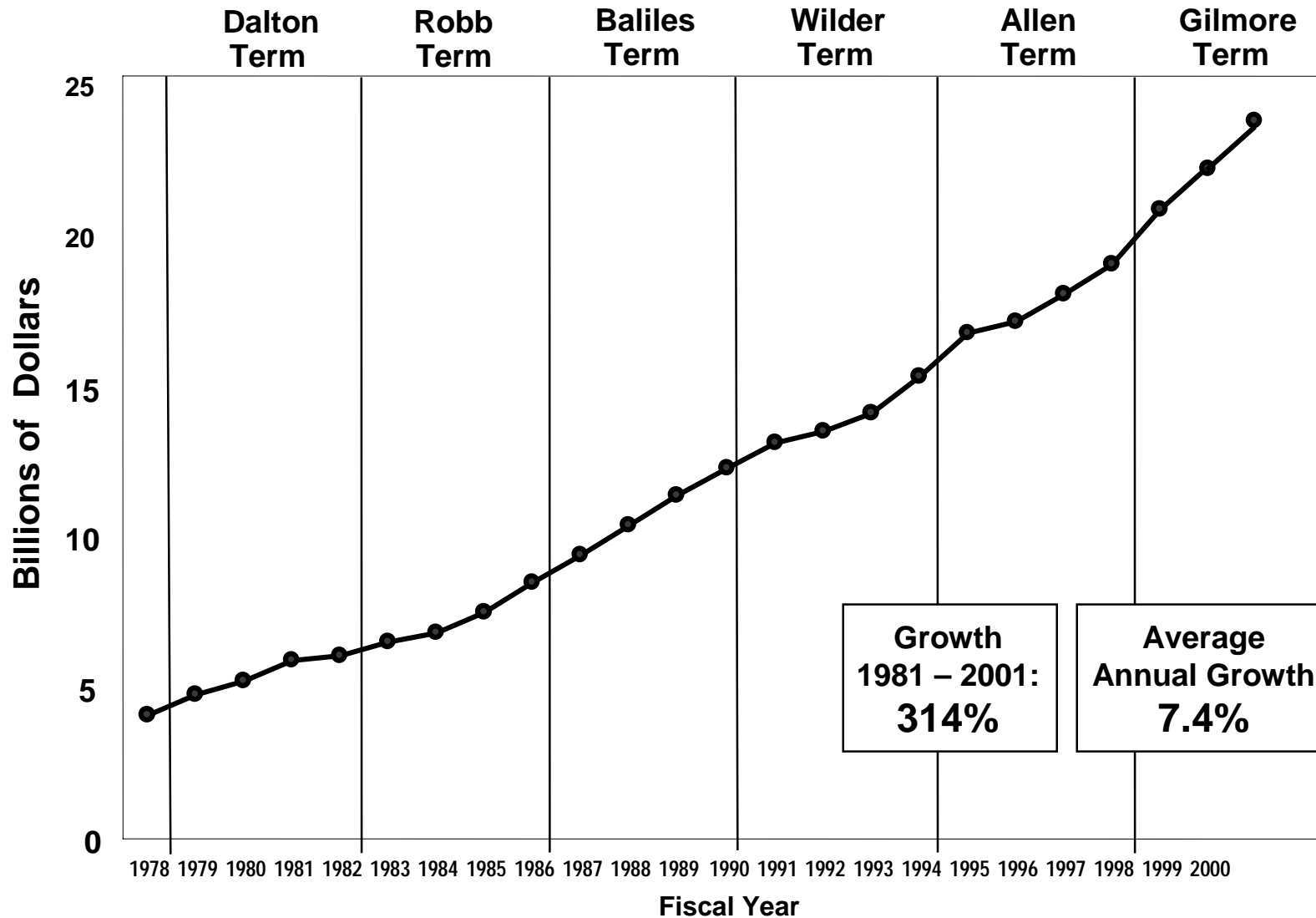
Some Ways Virginia Changed Between 1981 and 2001

10

	1981	2001	Percent Change
K-12 Enrollment (ADM)	1,024,334	1,130,446	10%
Enrollment, State Colleges & Universities	123,292	154,304	25%
Registered Vehicles	3,823,055	5,877,617	54%
Medicaid-Eligible Recipients	288,254	666,855	131%
State Inmate Population	8,363	33,109	296%

Total Virginia Expenditures (All Funds)

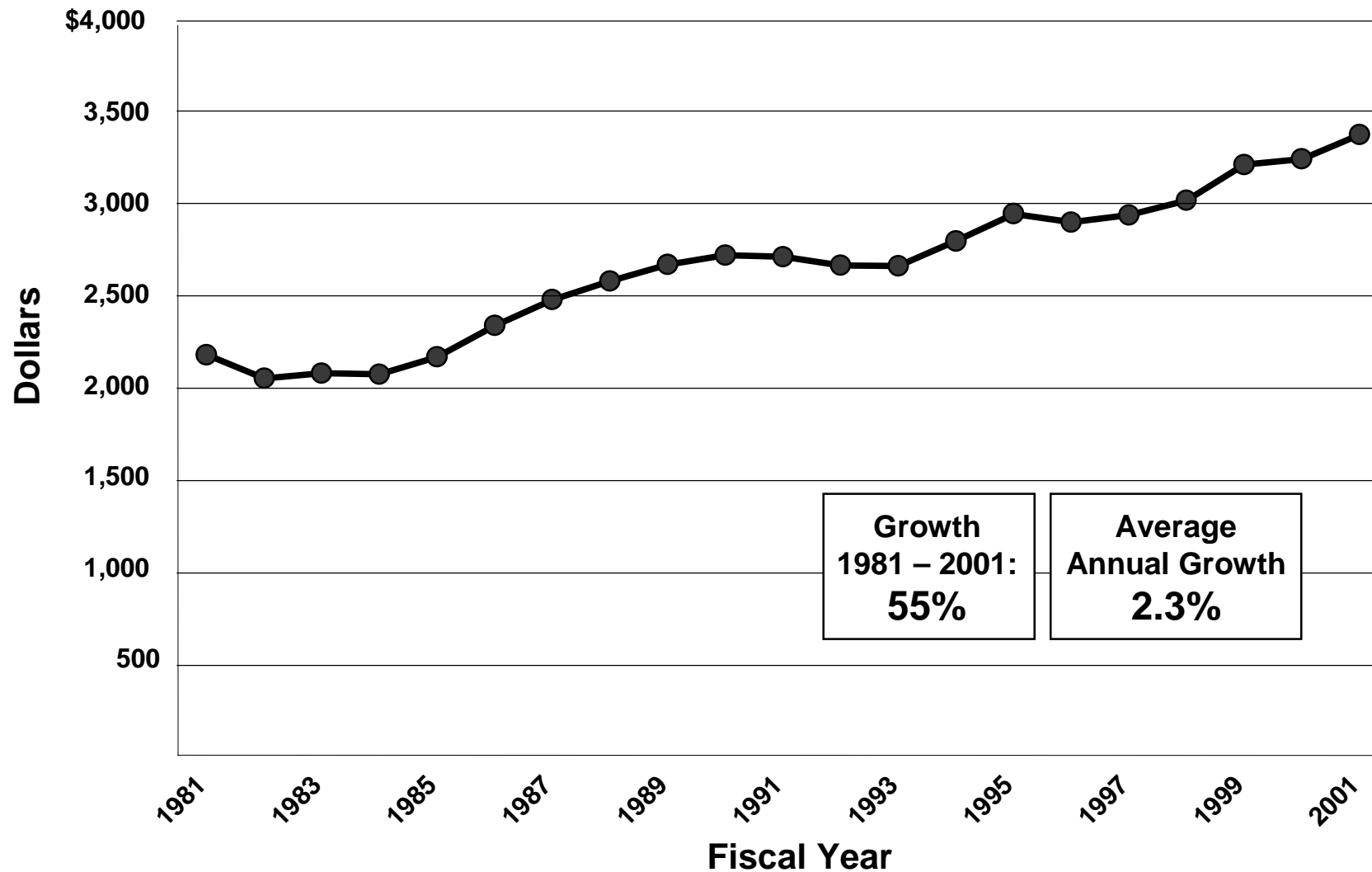
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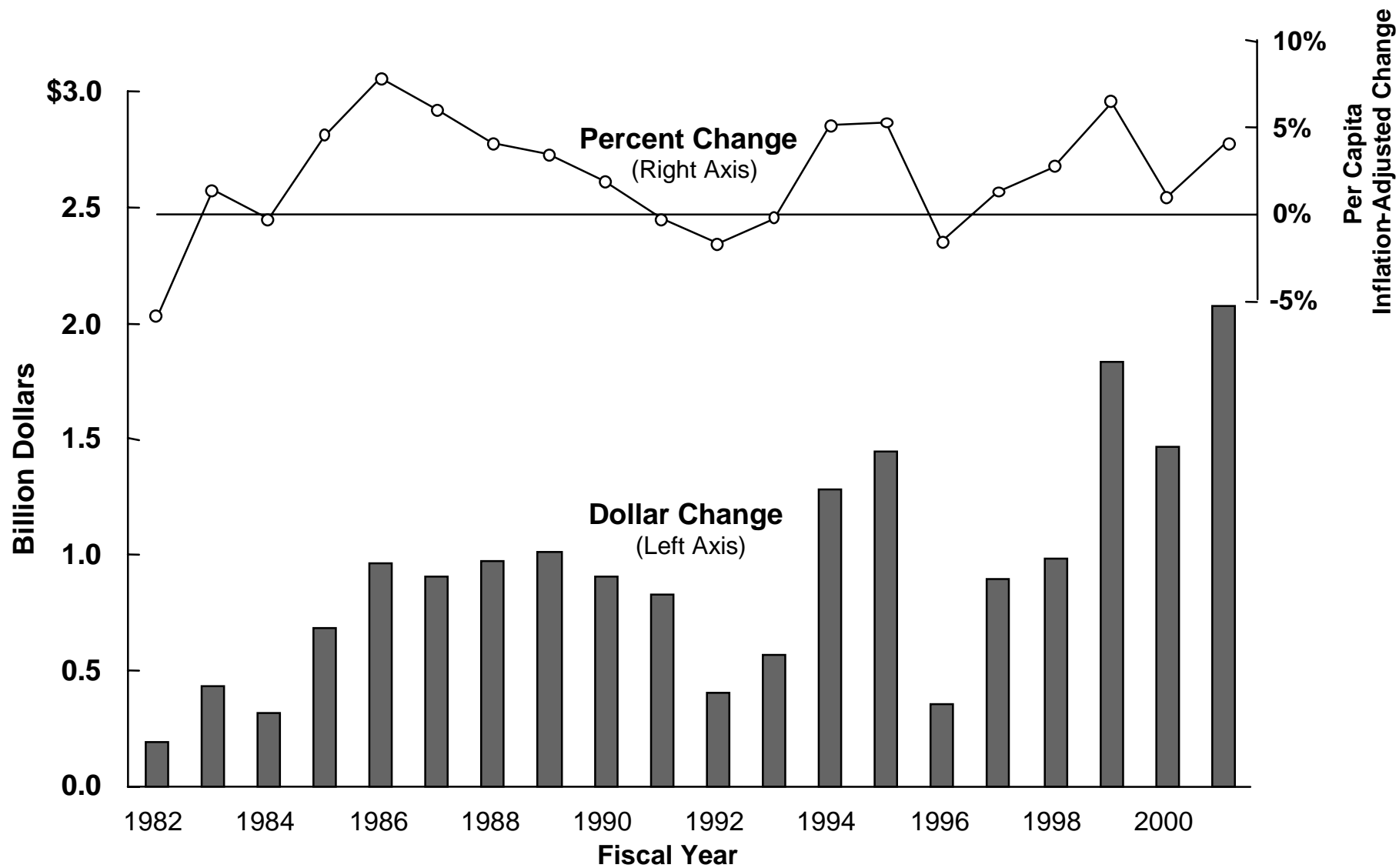
Inflation-Adjusted State Expenditures Per Capita

(All Funds, In 2001 Dollars)

12

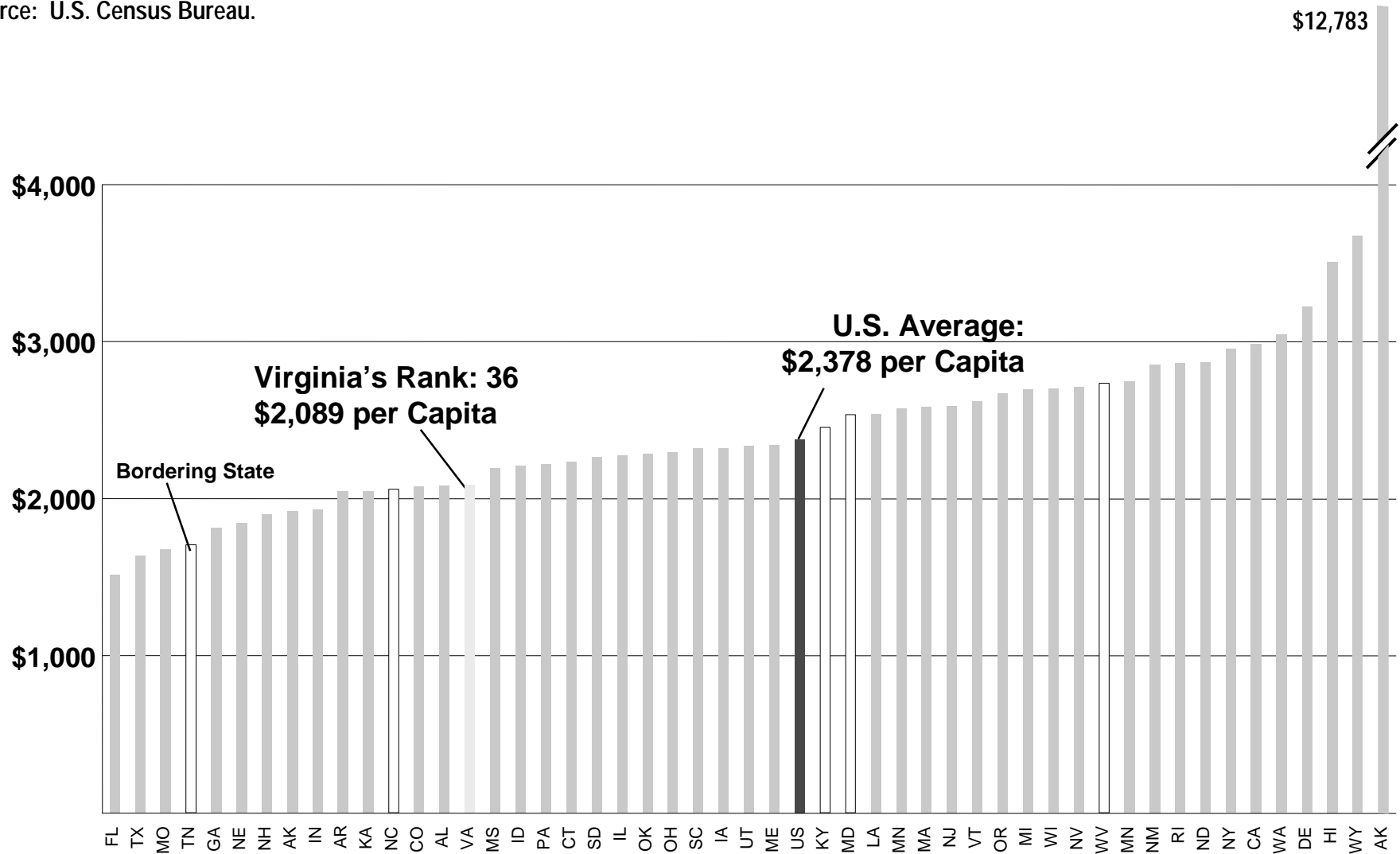


Annual Change in Spending



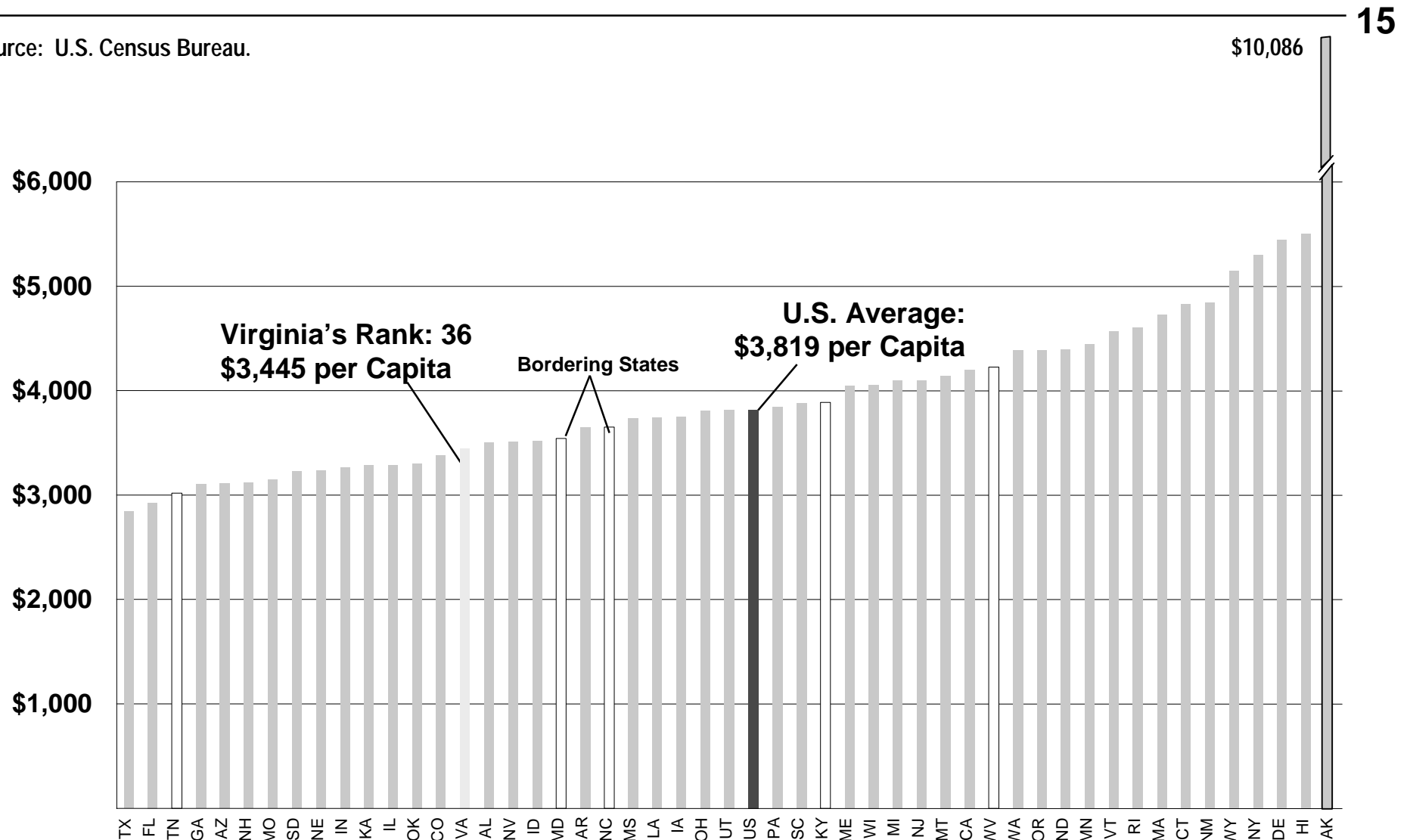
States Compared for Spending Per Capita Fiscal Year 1981

Source: U.S. Census Bureau.



States Compared for Spending Per Capita Fiscal Year 1999

Source: U.S. Census Bureau.



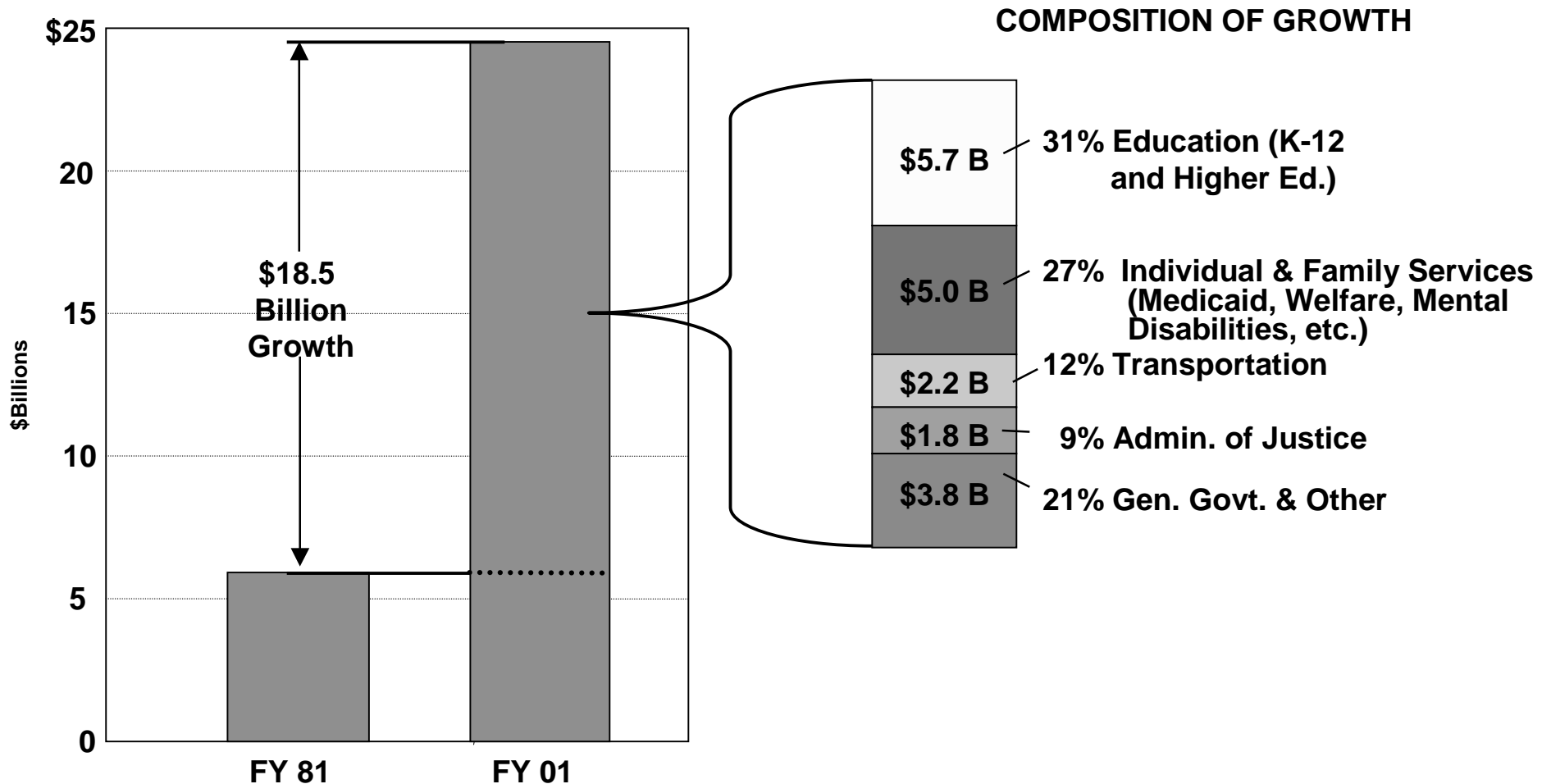
Presentation Outline

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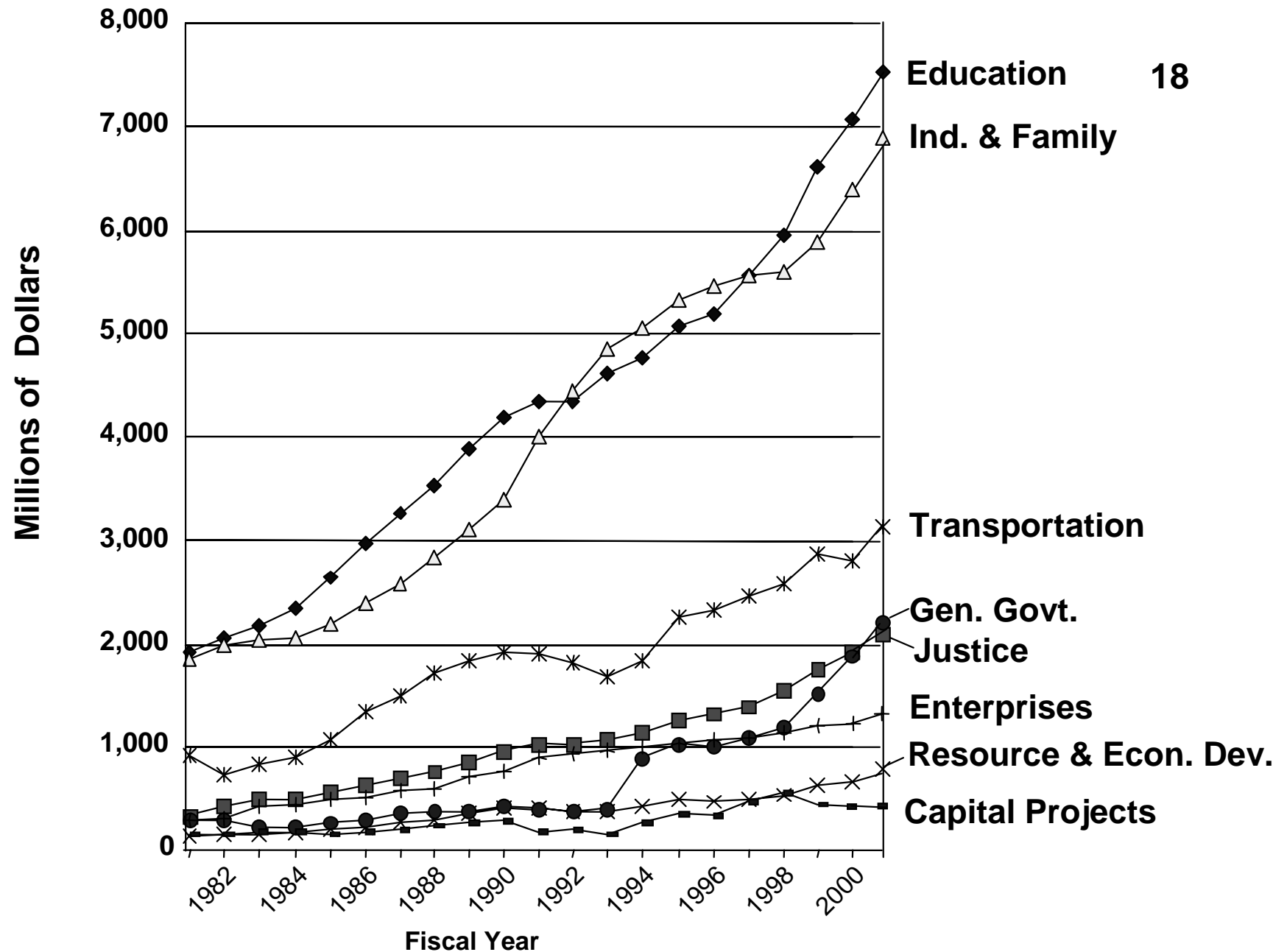
- ☐ Background
- ☒ Spending Growth by Governmental Function
- ☐ Budget Growth by Agencies and Programs
- ☐ Virginia's Spending Rank Among the States

Composition of State Budget Growth Between FY 1981 and FY 2001

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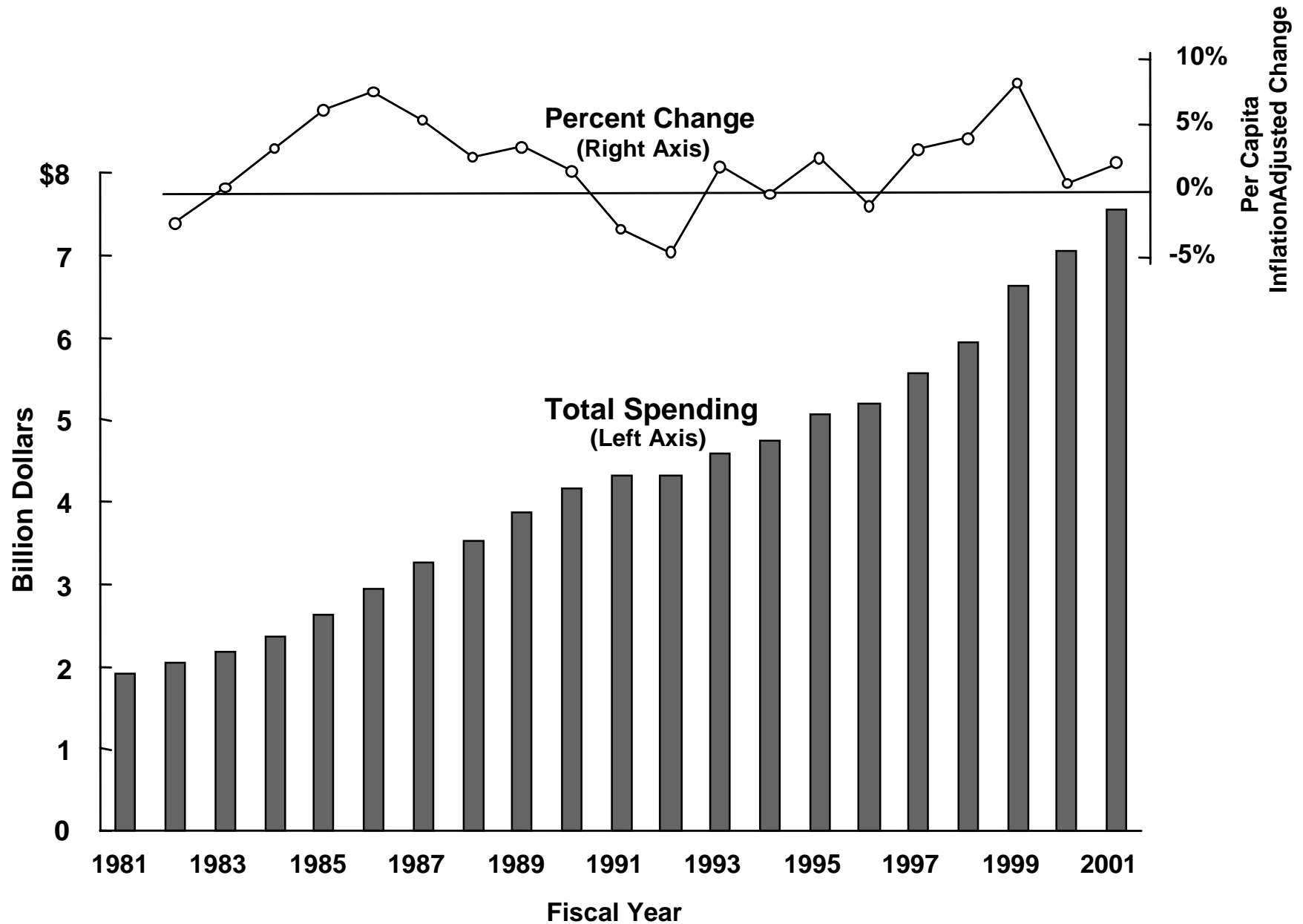
Expenditures by Functional Area, FY 1981 -- FY 2001



Spending on Education Functional Area

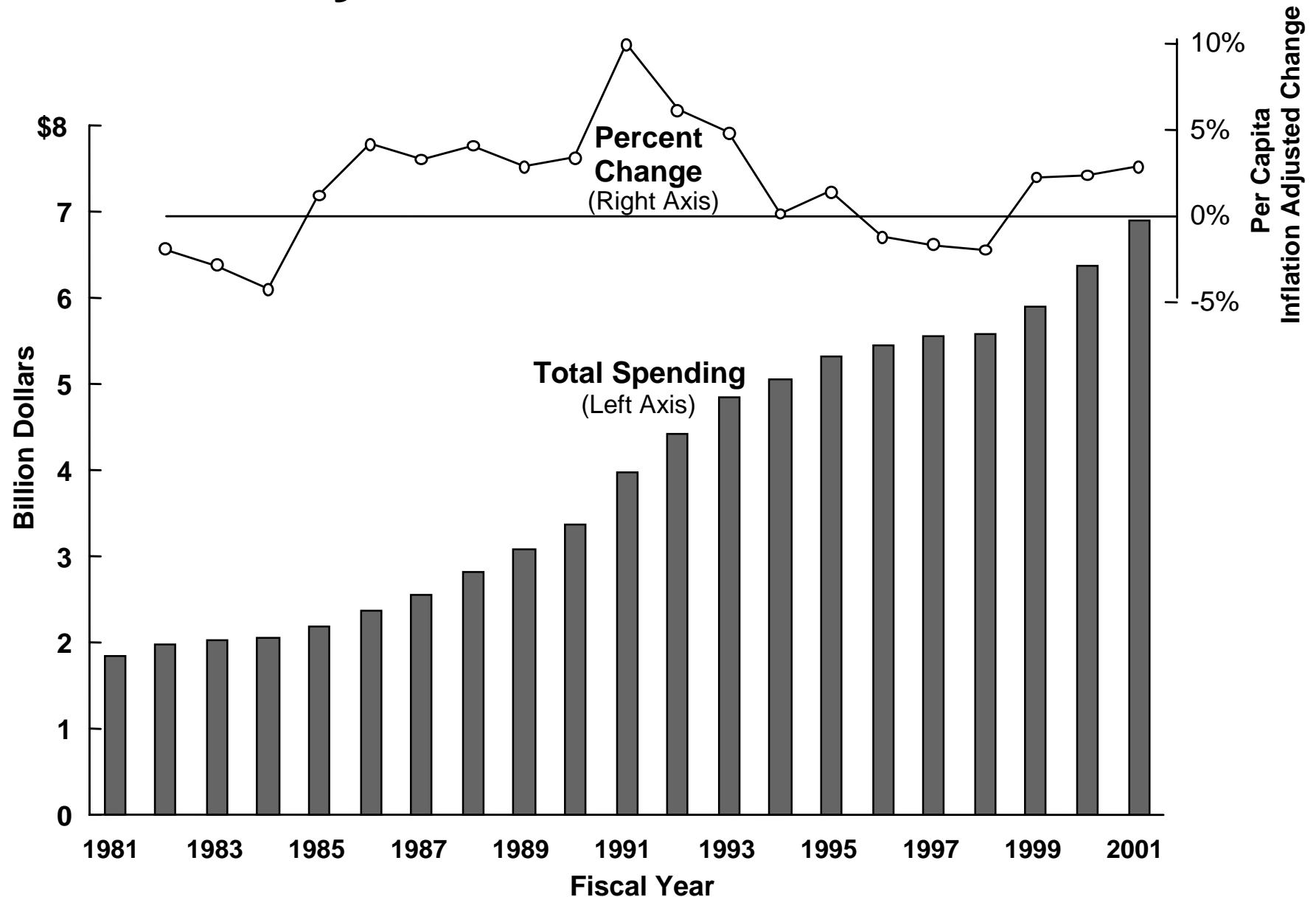
(K-12 and Higher Education)

19



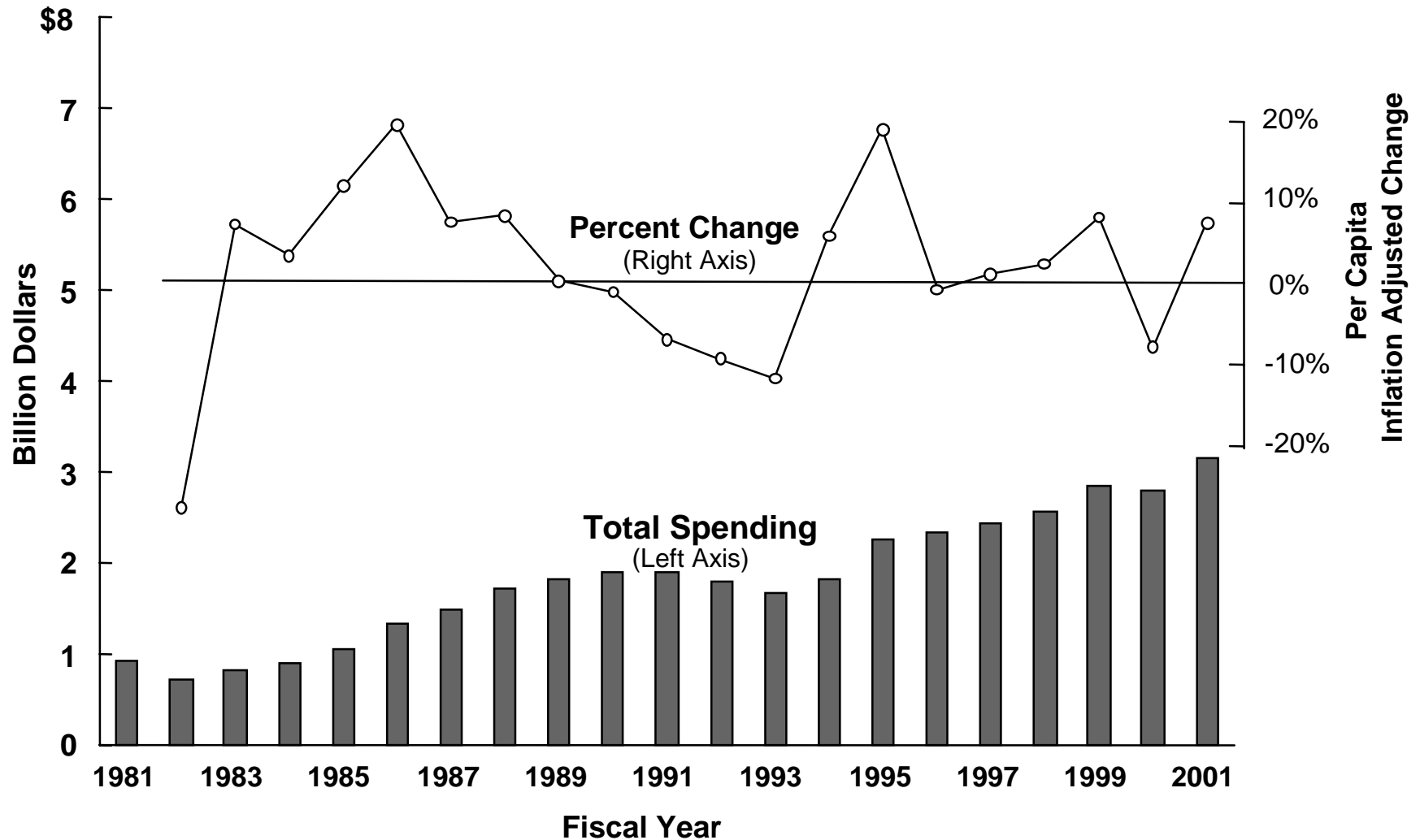
Spending on the Individual and Family Services Functional Area

20



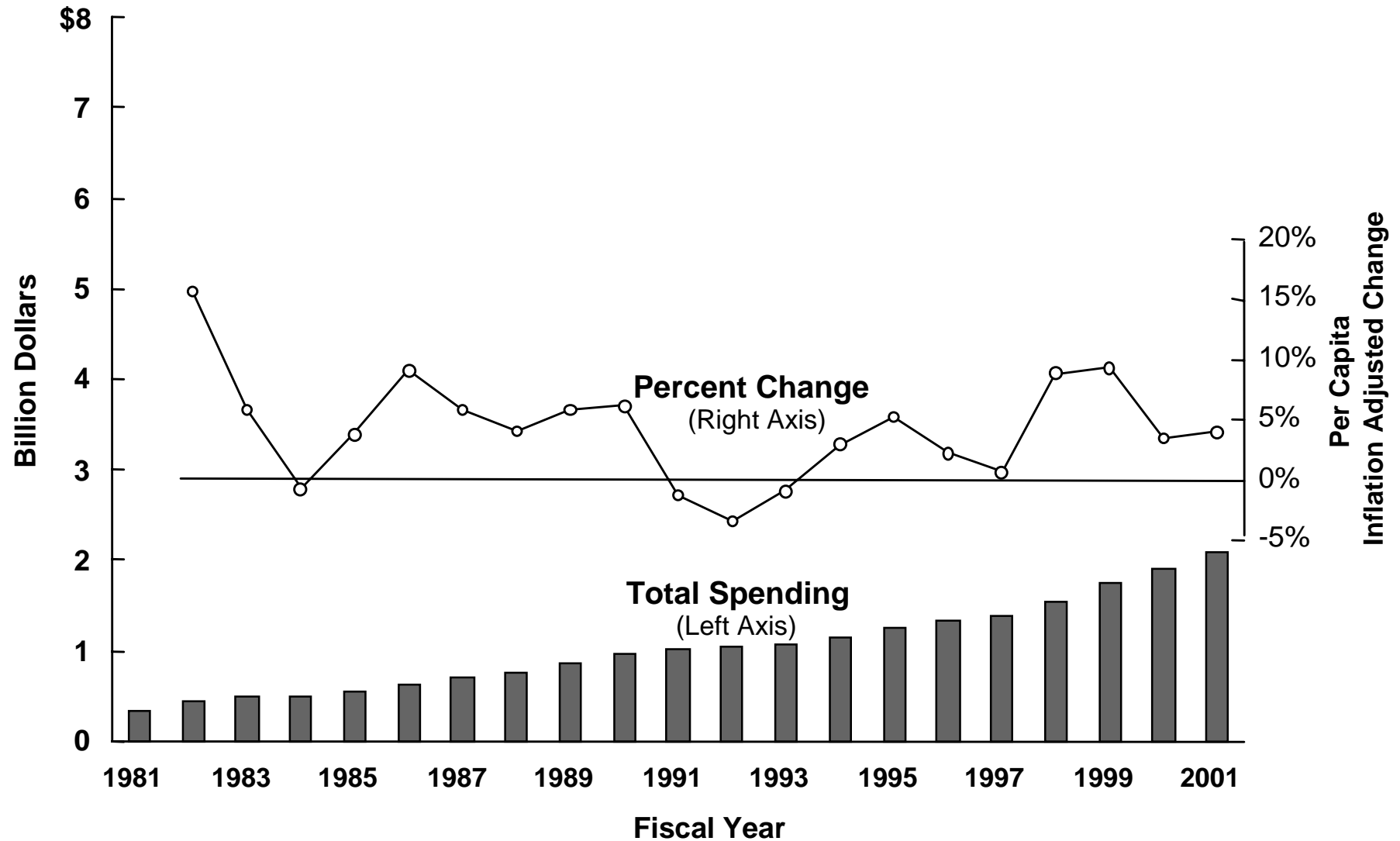
Spending on the Transportation Functional Area

21



Spending on the Administration of Justice Functional Area

22



Spending Change by Function

FY 1981 – FY 2001 (Dollars in Millions)

23

	<u>Dollar Change</u>	<u>PCIA %</u>	<u>Annual Avg. %</u>
1. General Government	\$1,908	184%	7.8%
2. Administration of Justice	\$1,752	131	4.4
3. Resource & Econ. Development	646	105	3.9
4. Enterprises	1,002	69	3.0
5. Education	5,654	48	2.0
6. Individual & Family Services	5,044	40	1.7
7. Transportation	2,234	28	2.6
8. Capital Projects	293	7	2.3
Total-All Functions	\$18,532	55%	2.3%

PCIA=Per capita, inflation-adjusted

Presentation Outline

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- ☐ Background
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- ☒ Budget Growth by Agencies
- ☐ Budget Growth by Programs
- ☐ Virginia's Spending Rank Among the States

Stability and Change in Agency Budgets

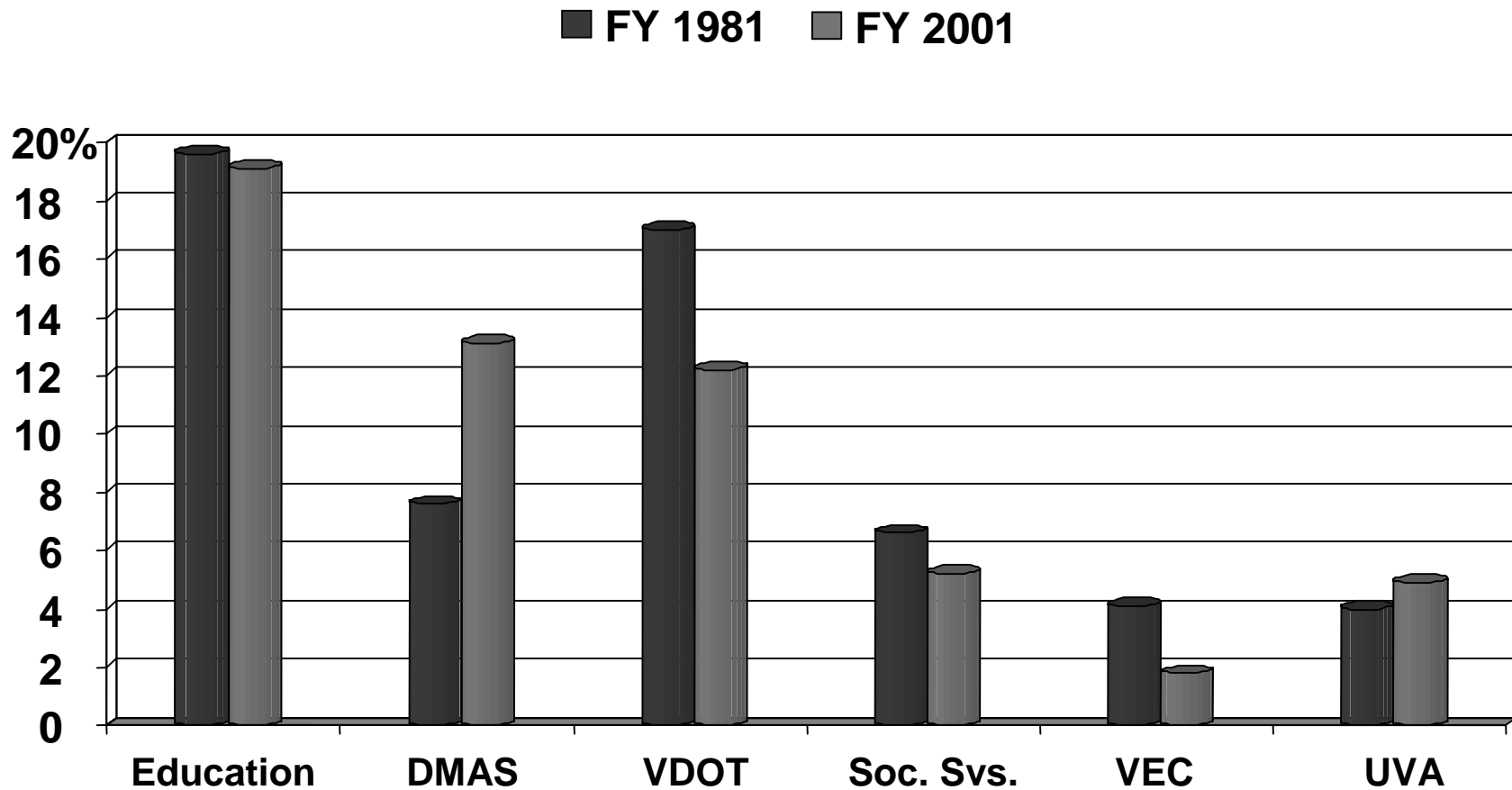
25

- **Patterns apparent in agency spending in the FY 1981 budget persisted throughout the period.**
 - The five largest agencies accounted for 54% of all operating funds in FY 1981 and again in FY 2001.
 - The four largest agencies were identical both times
 - Department of Education
 - Department of Medical Assistance Services
 - Department of Transportation
 - Department of Social Services
- **In 1981, one agency had a budget over \$1 billion. In 2001, 5 agencies exceeded \$1 billion.**

Agencies' Share of the Total Budget

FY 1981 compared with FY 2001

26



Agencies with the Most Growth in Total Appropriations

FY 1981 to FY 2001: Nominal Dollar Change

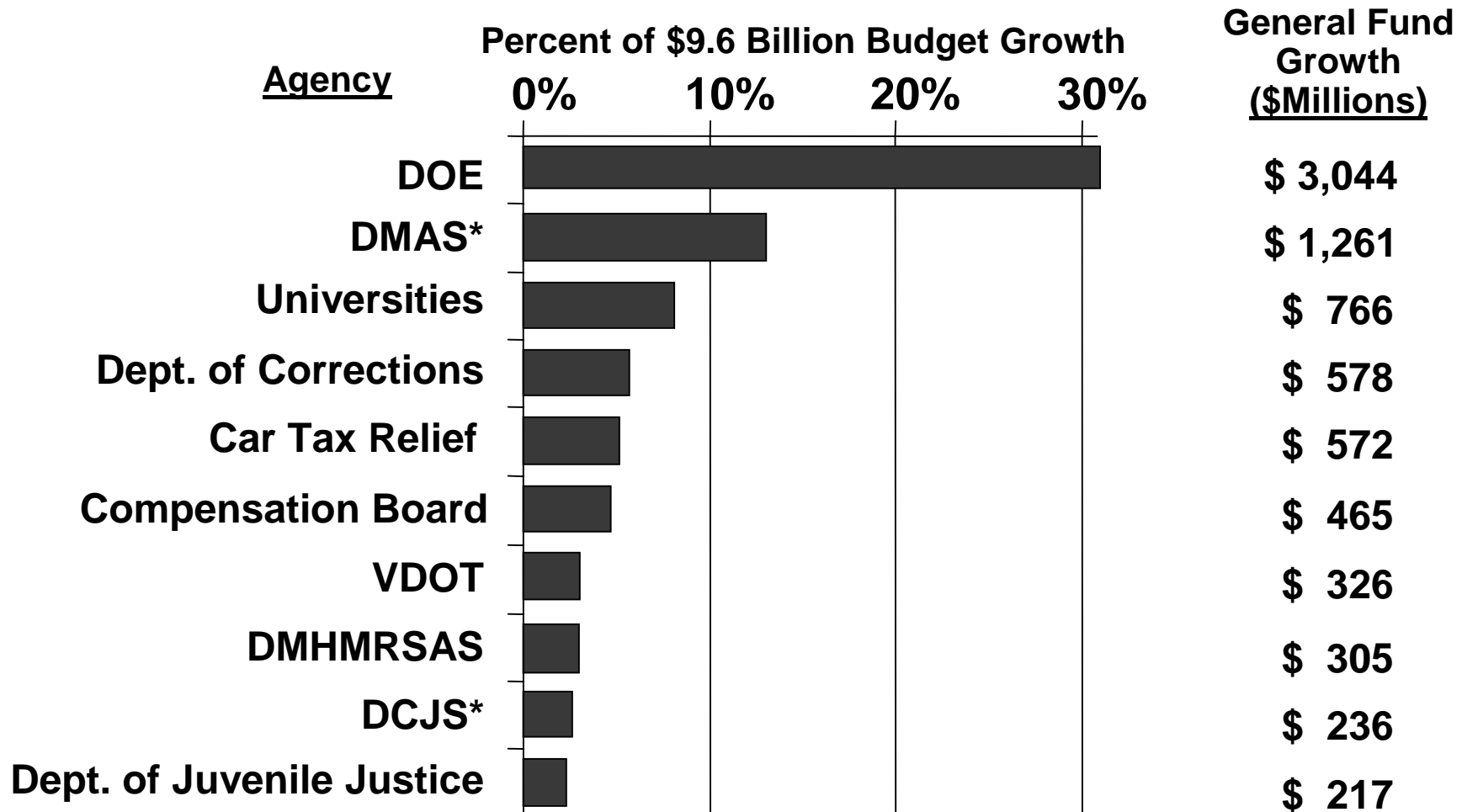
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1. Department of Education	\$ 3,327 million
2. DMAS (Medicaid)	\$ 2,618 million
3. VDOT	\$ 1,869 million
4. UVA	\$ 925 million
5. Dept. of Social Services	\$ 874 million
6. Dept. of Corrections	\$ 668 million
7. Personal Property Tax Relief	\$ 572 million
8. DMHMRSAS (Mental Health)	\$ 537 million
9. Compensation Board	\$ 469 million
10. Virginia Tech	\$ 458 million

General Fund Budget Drivers

FY 1981 to FY 2001

28

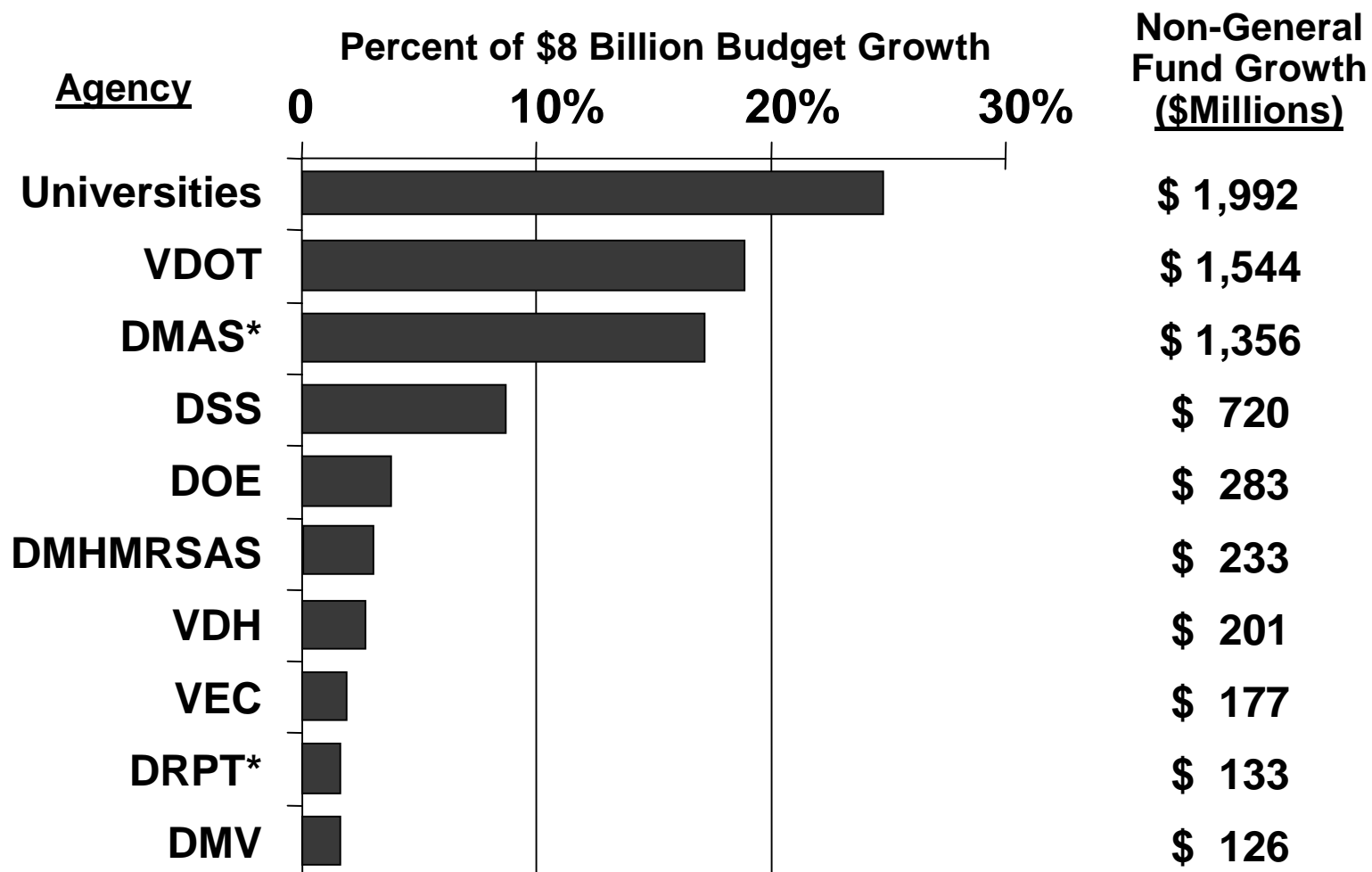


*Agency newly established during the period.

Non-General Fund Budget Drivers

FY 1981 to FY 2001

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*Agency newly established during the period.

Presentation Outline

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- ☐ Background
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Budget Programs

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- **Budget programs are basic building blocks of the State budget.**
- **Budget programs may appear in more than one agency.**
 - **Almost every agency has a program for “administration & support services” which includes computer services, accounting, personnel, procurement, etc.**
 - **Every college & university has a program for “education and general programs” which includes instruction, public services, academic support, student services, maintenance, etc.**

Which Budget Programs Had the Most Growth in Appropriations?

FY 1983 to FY 2001

32

<u>Program</u>	Change in Appropriations FY83 -FY01 <u>(\$ in Millions)</u>	<u>Share of Growth</u>
1. Medical Assistance Services (Medicaid)	\$2,454	14.6%
2. Financial Assistance for Public Education (SOQ)	1,865	11.1%
3. Financial Assistance for Special State Revenue Sharing	1,568	9.3%
4. Highway System Acquisition and Construction	1,147	6.8%
5. Personal Property Tax Relief Program	572	3.4%
6. Highway System Maintenance	558	3.3%
7. Higher Education Auxiliary Enterprises	502	3.0%
8. Child Support Enforcement Services	449	2.7%
9. Crime Detection, Investigation, Apprehension	424	2.5%
10. State Health Services	416	2.5%

Which Budget Programs Had the Most Growth in Appropriations? FY 1997 to FY 2001

33

<u>Program</u>	Change in Appropriations FY97 -FY01 <u>(\$ in Millions)</u>	<u>Share of Growth</u>
1. Highway System Acquisition & Construction	\$702.6	11.3%
2. Medical Assistance Services (Medicaid)	614.1	9.9%
3. Personal Property Tax Relief Program*	572.4	9.2%
4. Educational & General Programs (Universities)	536.6	8.7%
5. Financial Assistance for Special State Revenue Sharing	496.2	8.0%
6. Financial Assistance for Public Education (SOQ)	431.6	7.0%
7. Secure Confinement	199.8	3.2%
8. Highway System Maintenance	186.4	3.0%
9. Crime Detection, Investigation, & Apprehension	179.5	2.9%
10. Child Support Enforcement Services	169.1	2.7%

*Program newly established during the period.

Presentation Outline

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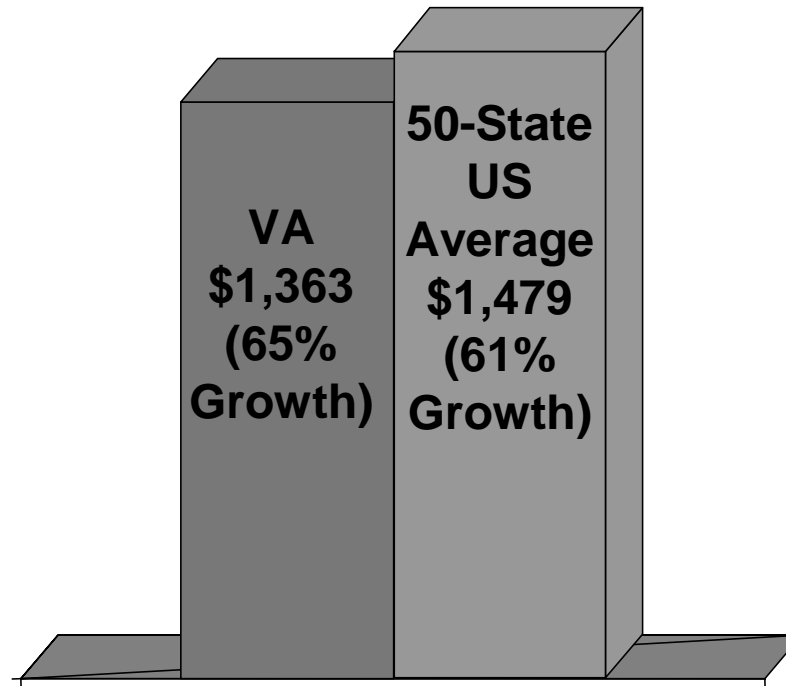
- ☐ Background
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Virginia Compared to 50-State Spending Growth

(Per Capita, Inflation Adjusted)

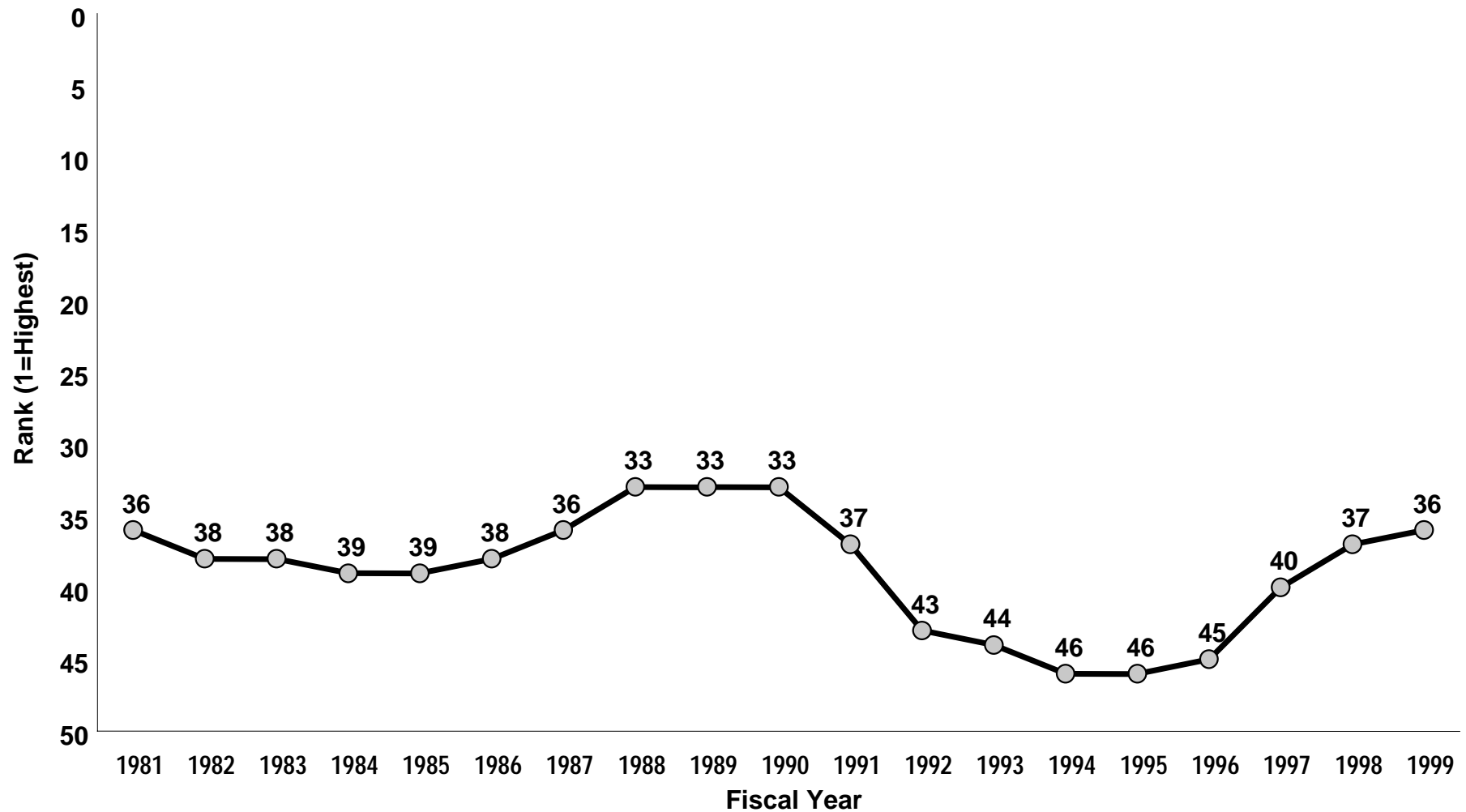
FY 1981 – FY 1999

35

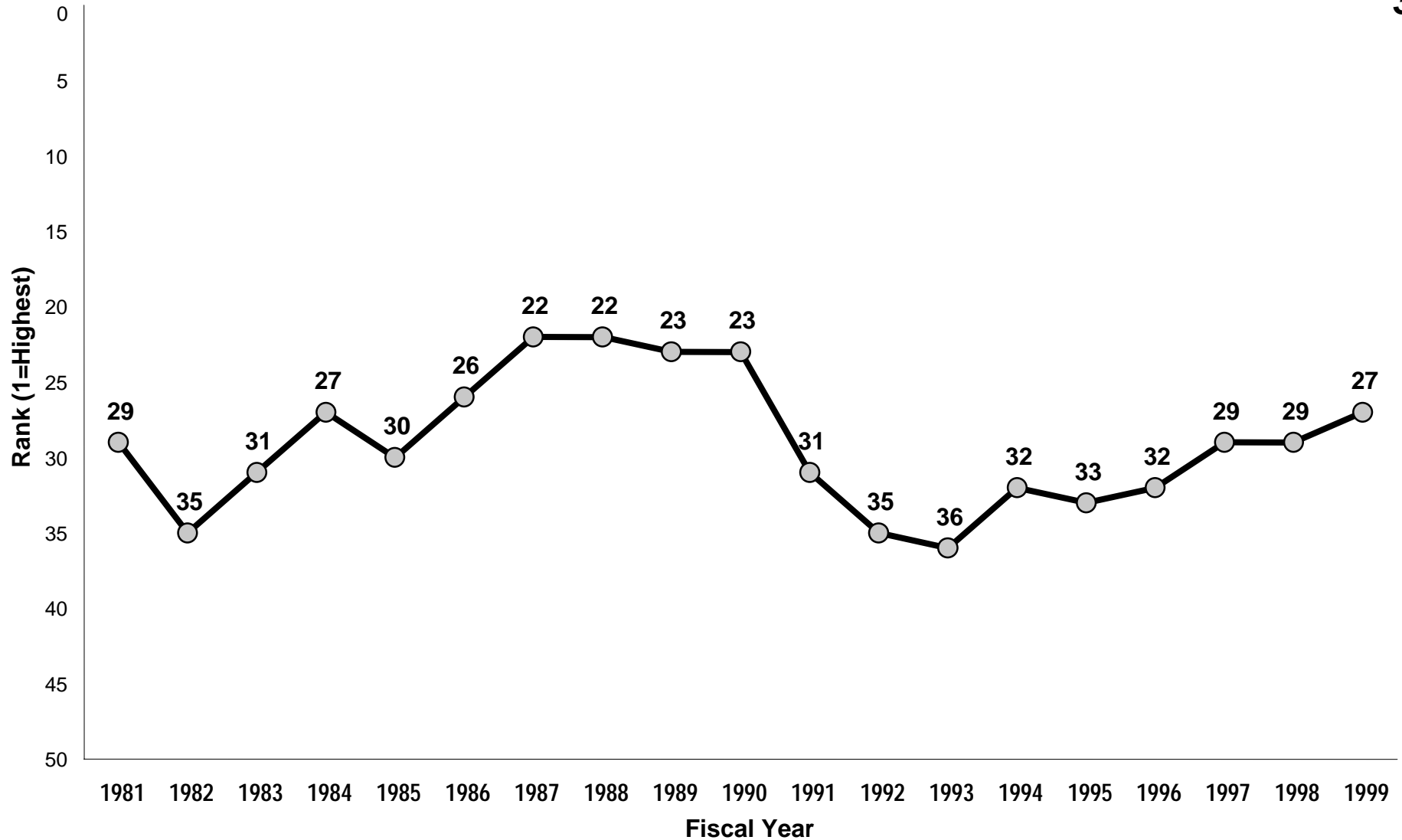


Virginia's Rank: Total State Spending Per Capita, Inflation-Adjusted

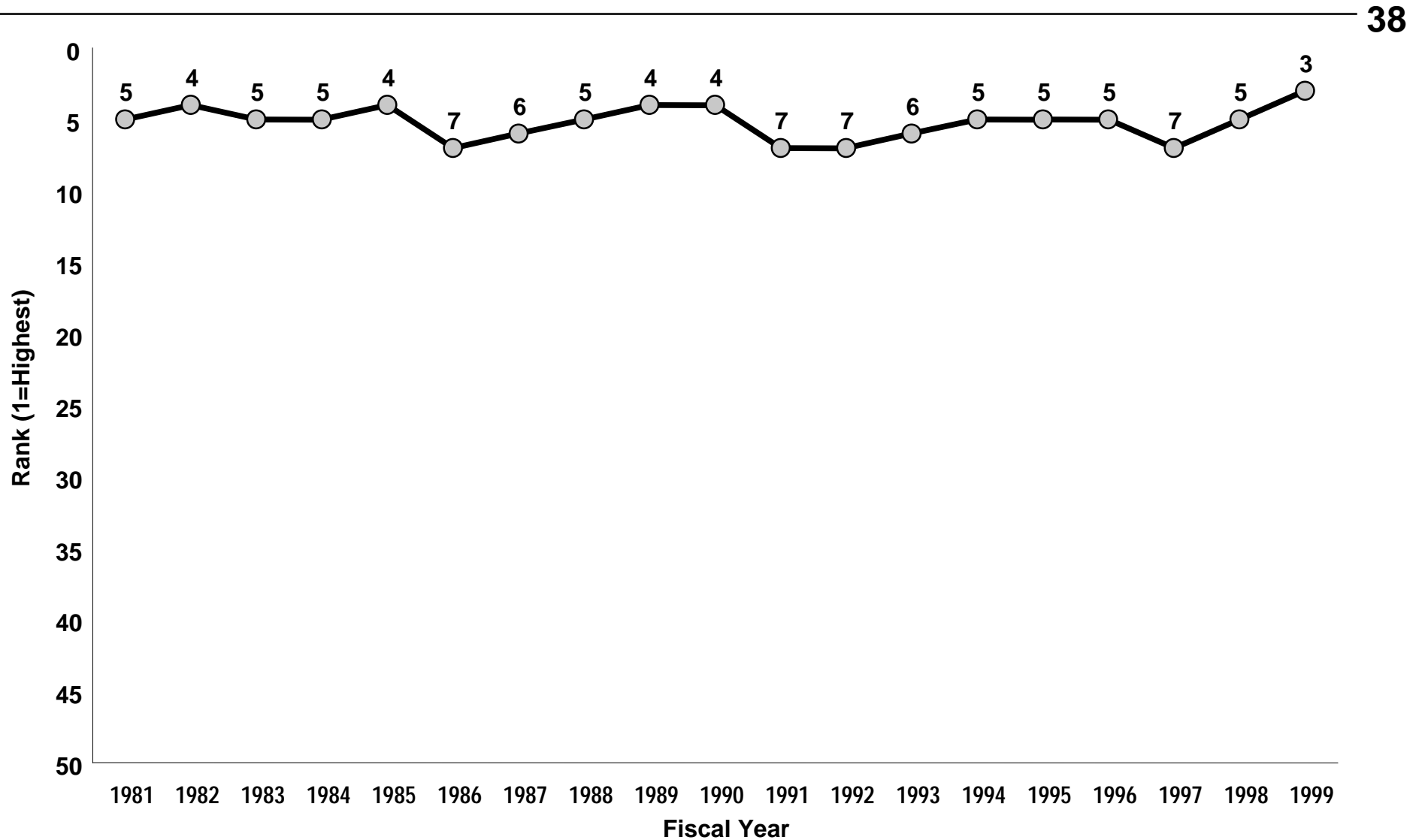
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Virginia's Rank: State Spending on Education (K-12 and Higher Education) Per Capita, Inflation-Adjusted



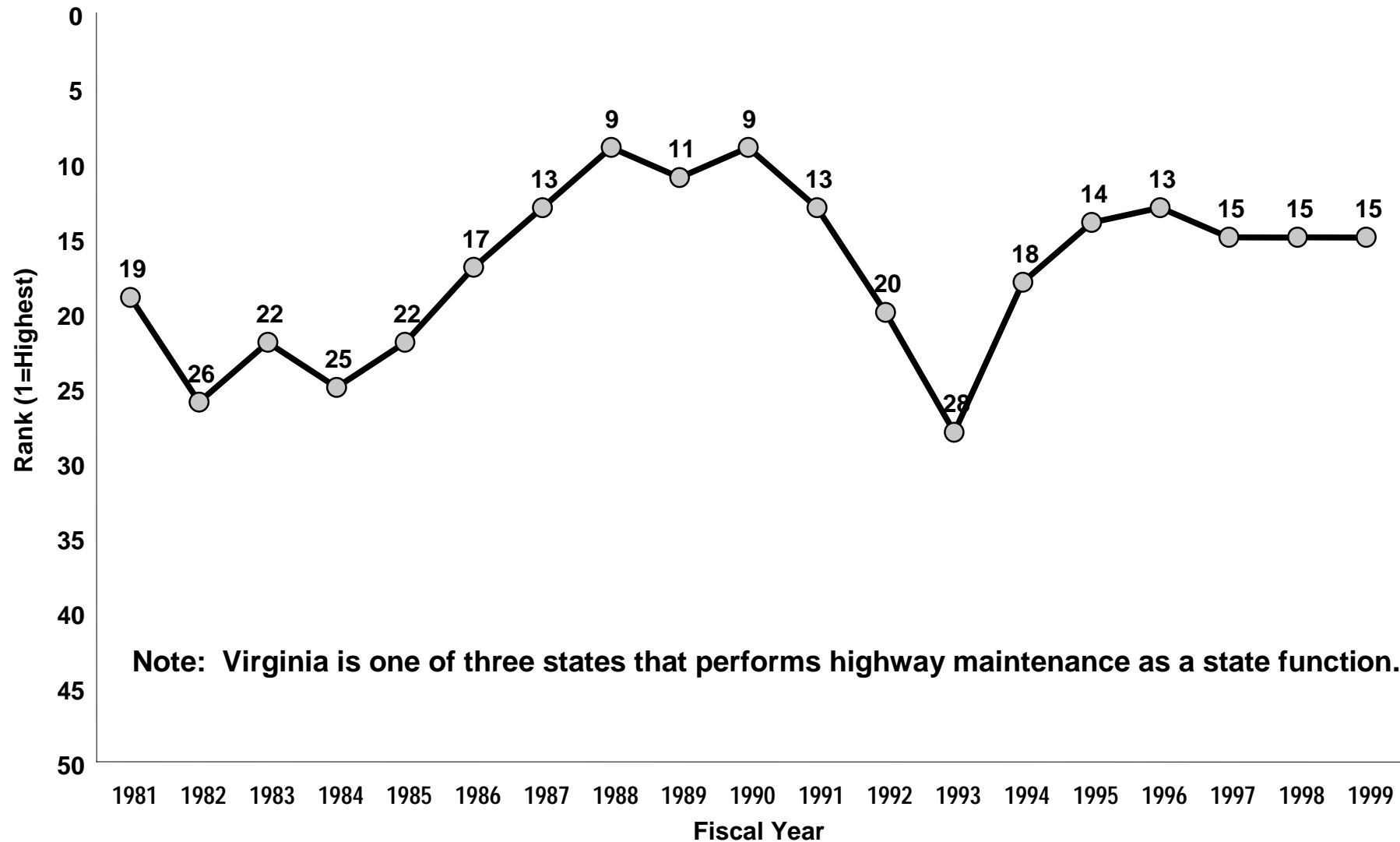
Virginia's Rank: State Spending on Police & Corrections Per Capita, Inflation-Adjusted



Virginia's Rank: State Spending on Highway Maintenance and Construction

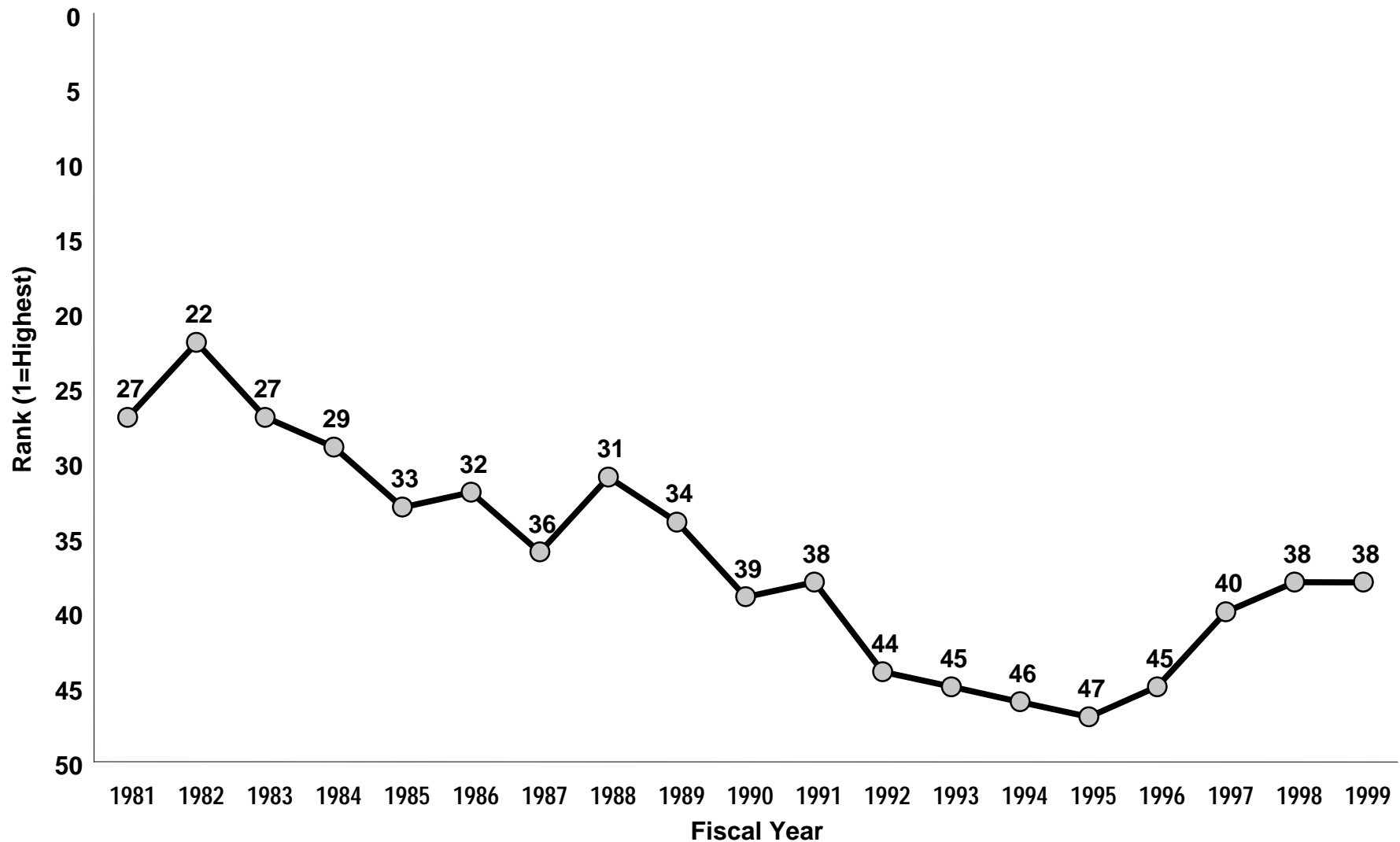
Per Capita, Inflation-Adjusted

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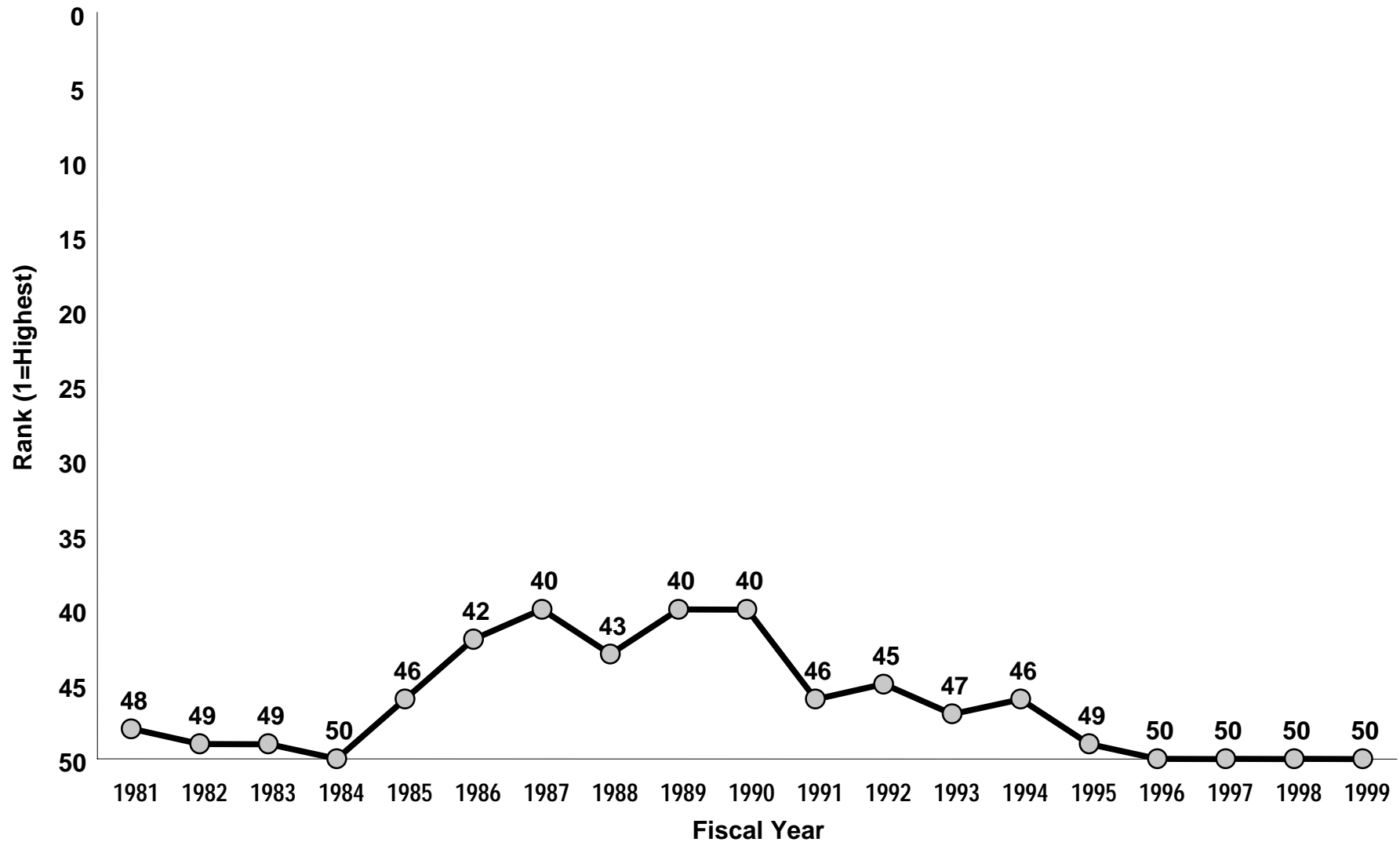
Virginia's Rank: State Spending on Public Welfare, Hospitals, Health Per Capita, Inflation-Adjusted

40



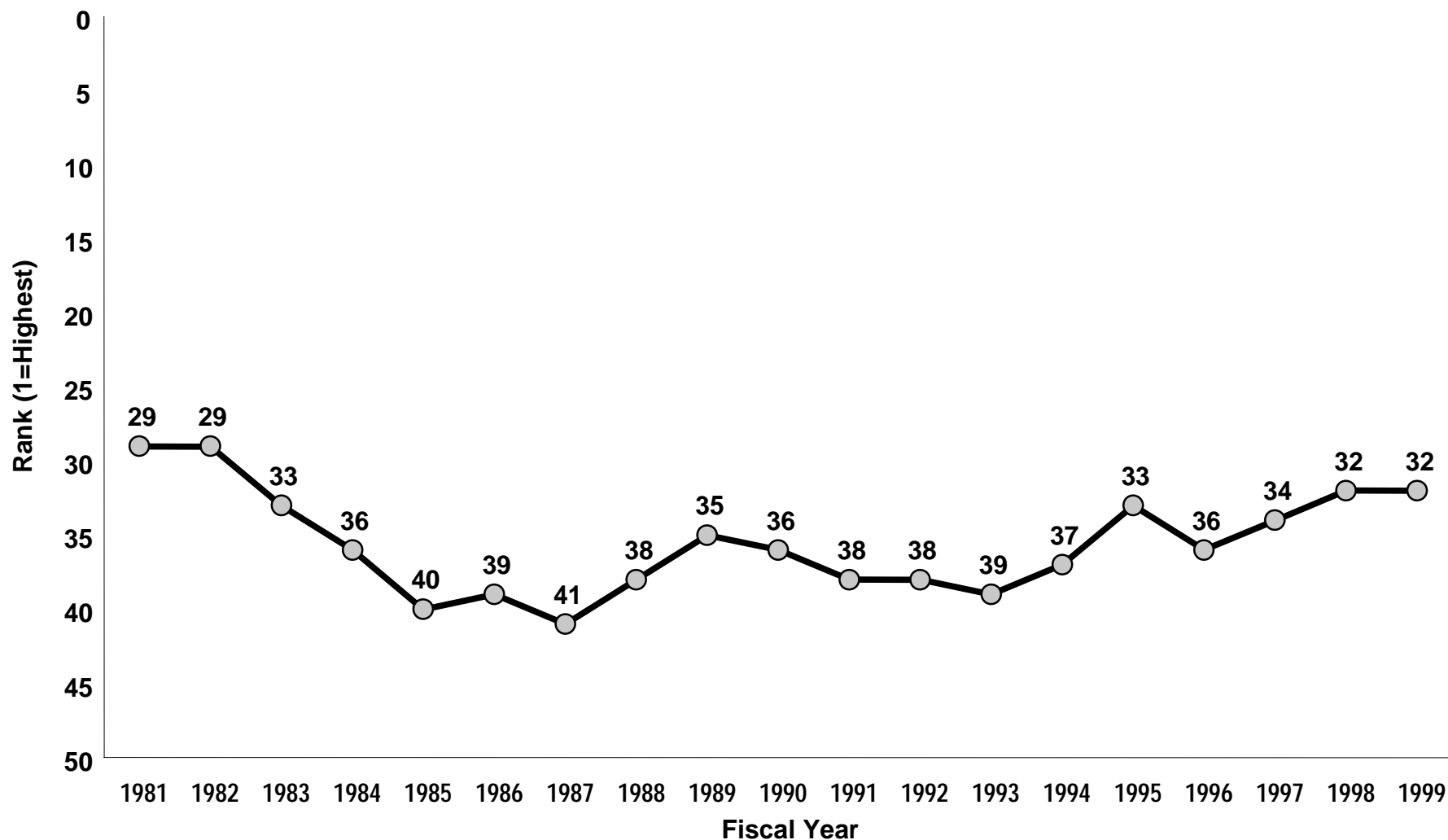
Virginia's Rank: State Spending on Natural Resources, Parks and Recreation Per Capita, Inflation-Adjusted

41



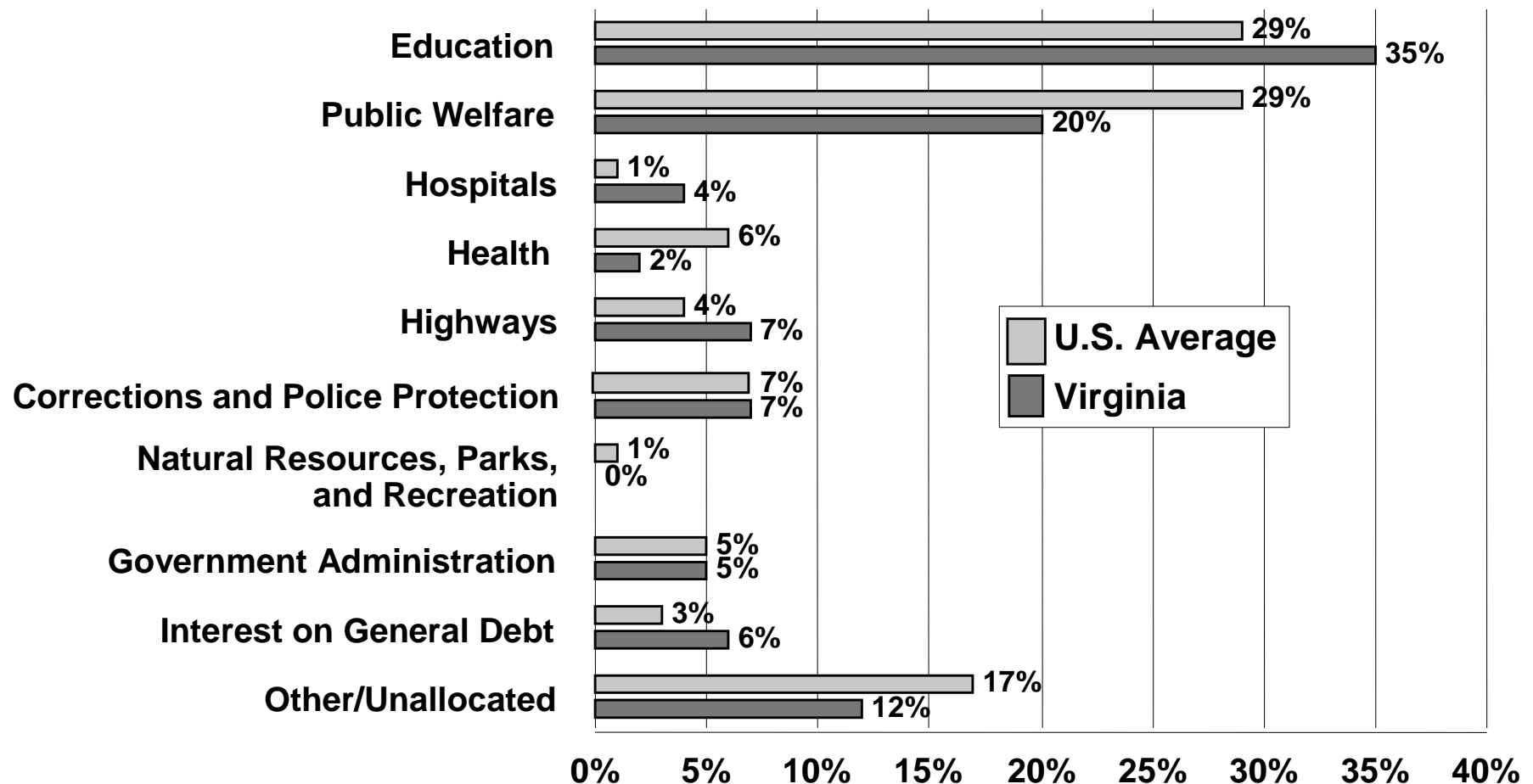
Virginia's Rank: State Spending on Government Administration and Debt Service Per Capita, Inflation-Adjusted

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Virginia's Share of Spending Growth Compared to 50-State Averages 1981 - 1999

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Based on per-capita, inflation-adjusted data.

Conclusions

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- **Average annual budget growth, FY 1981 – FY 2001**
 - **Nominal (unadjusted): 7.3%**
 - **Adjusted for population growth and inflation: 2.3%**

- **80% of the budget growth (in dollars) was in four broad functions: education, individual and family services, transportation, and public safety**
 - **5 agencies accounted for 62% of General Fund growth**
 - **5 agencies accounted for 59% of Non-General Fund growth**

Conclusions

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- **Per capita, inflation-adjusted growth rates from FY 1981 – FY 2001 indicate somewhat different priorities:**
 - General government had the highest growth rate: 184%
 - Administration of justice had second highest rate: 131%
 - Education, individual and family services rank 5th and 6th
- **Historically, Virginia spends less per person on the functions of government than most other states**
 - Virginia devotes more resources than most other states to public safety and transportation
 - Virginia spends less than most other states on public welfare and health care, natural resources and parks, and general government